



European Economic and Social Committee

TEN/271
Postal services - full
accomplishment of the
internal market

Brussels, 26 April 2007

OPINION

of the

European Economic and Social Committee

on the

Proposal for a Directive of the European Parliament and of the Council amending
Directive 97/67/EC concerning the full accomplishment of the
internal market of Community postal services

COM(2006) 594 final – 2006/0196 (COD)

On 1 December 2006 the Council decided to consult the European Economic and Social Committee, under Articles 47(2), 55 and 95 of the Treaty establishing the European Community, on the

Proposal for a Directive of the European Parliament and of the Council amending Directive 97/67/EC concerning the full accomplishment of the internal market of Community postal services
COM(2006) 594 final – 2006/0196 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 March 2007. The rapporteur was Mr Hencks.

At its 435th plenary session, held on 25 and 26 April 2007 (meeting of 26 April), the European Economic and Social Committee adopted the following opinion by 131 votes to 26 with 8 abstentions.

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1. **Recommendations**

- 1.1 In the draft directive under review, the Commission envisages proceeding to the final stage of opening the postal market on 1 January 2009, while maintaining the principal aspects of universal service at current levels in all EU Member States, and abolishing the exclusive rights (the reserved sector) used to finance the universal service.
- 1.2 The main challenge presented by organising this final stage is to identify the way forward to an effective and competitive postal sector which will continue to provide high-quality, affordable services to individuals and businesses in Europe, in the interests of economic competitiveness, of serving citizens' needs, irrespective of their geographical or financial situation or other factors, and in the interests of employment and sustainable development.
- 1.3 The EESC feels that the Commission's ideas would not ensure the necessary degree of security for long-term financing of a universal service in all Member States, particularly where there are difficulties caused by the physical or human geography, and thus at present are not preferable to financing by means of a reserved sector, which in many Member States has proved to be an effective and fair system.
- 1.4 For the EESC, compensating for the residual costs of a universal service by imposing a levy or higher tariffs on users or by means of public subsidies would be unacceptable, whereas the present universal service does not involve any specific charges for users/taxpayers.

- 1.5 At this stage, the EESC is not won over either to a "play or pay" system, with an obligation on each operator to provide a universal service, from which it can be exempted by participating in the financing of the universal service, or to the use of a compensation fund.
- 1.6 The Commission should explain in detail the framework within which liberalisation of postal services will take place. This is a precondition for abolishing the reserved sector, which is necessary for financing the universal service.
- 1.7 Given the uncertainties and risks associated with complete liberalisation of the postal market, the deadline of 1.1.2009 seems unrealistic, especially in view of the fact that postal operators in Member States which only joined the EU in 2004 would have insufficient time to adapt to the new circumstances.
- 1.8 The EESC urges that:
- the current Directive be extended;
 - plans be made for possible full liberalisation of the postal sector by 1.1.2012, provided that credible financing options which represent an improvement on the reserved sector have been found by then, in close consultation with all those concerned;
 - specific deliveries sent or received by blind and partially sighted persons and their organisations be incorporated into the universal service.

2. **Introduction**

- 2.1 From a socio-economic perspective, postal services are very important for economic, social and territorial cohesion and for implementation of the Lisbon strategy. They directly contribute to social relations and fundamental rights, while enhancing solidarity and integrating people and regions; they also stimulate European economic competitiveness and sustainable development.
- 2.2 The Commission estimates that the postal services handle 135 billion items per annum, generating a turnover of about EUR 88 billion or 1% of EU GDP. About two-thirds of this turnover is generated by mail services; the remainder comes from parcels, express mail and related services.
- 2.3 A universal postal service ensuring the availability of high-quality, reliable and affordable postal services irrespective of geographical or financial situation or other factors is a key element of the European social model and of the Lisbon strategy. A high-quality universal service is a necessity both for members of the public and economic players, who are the main clients of postal services and who need parcels and letters to be delivered to recipients irrespective of where they are situated or who they are.

- 2.4 Reforms, technological developments and increased automation in the postal sector have led to substantial improvements in quality, increased efficiency and a more customer-oriented approach.
- 2.5 Contrary to more pessimistic forecasts of continuing decline in the postal services market, these changes reflect the growth potential perceived by operators in the development of new services such as home shopping, electronic commerce and hybrid mail.
- 2.6 In contrast to other network industries, postal work, and delivery in particular, still involves a great deal of manual labour and direct contact with customers. The sector is therefore very important for employment; it is estimated that over 5 million jobs in the EU are directly dependent on the postal sector or closely linked to it. Labour costs, which are usually fixed costs, represent the lion's share (+/- 80%) of total costs; the workforce is therefore particularly vulnerable to the effects of streamlining measures in the course of liberalisation and improving competitiveness.
- 2.7 Finally, the EESC would also like to point out that regular Eurobarometer surveys indicate that a large majority of users are generally satisfied with the quality of postal services.

3. **Background**

- 3.1 On 11 June 1992 the Commission presented a Green Paper on the Development of the Single Market for Postal Services, followed on 2 June 1993 by a communication on guidelines for the development of Community postal services; almost ten years ago, gradual, controlled liberalisation of the sector postal was launched by Directive 97/67/EC, commonly known as the "Postal Directive".
- 3.2 The Postal Directive, which expires on 31 December 2008, laid down common rules on the following aspects of a single market for postal services:
- universal services;
 - a reserved sector (monopolies);
 - tariff principles and principles governing transparency of accounts for universal service providers;
 - quality standards;
 - harmonisation of technical standards;
 - creation of independent national regulatory authorities.

3.3 **Universal service**

3.3.1 According to the Directive, Member States will be required to ensure that a universal service at affordable prices is available, every working day and not less than five days a week, to all users at all locations, with at least

- collection, sorting, transport and delivery of mail weighing up to two kilograms and of parcels weighing up to ten kilograms;
- services involving registered and insured items;
- suitable access points to the postal network throughout the country.

3.3.2 Community legislation therefore ensures that everyone living in the EU has access to genuine communication services, regardless of the geographical or human make-up of their place of residence.

3.3.3 Universal service as defined above, which includes both national and cross-border services, has to comply with quality standards on delivery times and the regularity and reliability of services in particular; these standards are set by Member States in the case of national services, and by the Parliament and Council in the case of Community cross-border services.

3.4 **Reserved sector**

3.4.1 If Member States believe that the universal service obligations represent an unfair financial burden on providers of such services, they may be awarded a monopoly on collection, sorting, transport and delivery of domestic mail and, subject to the need to maintain universal service, cross-border mail and direct mail:

- weighing up to 50 grams (or with postage costs of no more than two-and-a-half times the public tariff for an item of correspondence in the first weight step of the fastest category).

4. **The Commission's draft directive**

4.1 The prospective study which the Commission contracted out to an international consultant¹ concludes that accomplishing the postal internal market in all Member States in 2009 is compatible with maintaining high-quality universal services. However, this study points out that, in view of the risks which this poses for maintenance of the universal service, "flanking measures" will be needed in most Member States.

¹ The Impact on Universal Service of the Full Market Accomplishment of the Postal Internal Market in 2009/ Price Waterhouse & Coopers.

- 4.2 The draft directive under review envisages complete liberalisation of the postal market by 1 January 2009, while safeguarding the principal common standards of universal service at current levels for all users in all EU Member States.
- 4.3 With effect from 1 January 2009 Member States will no longer be allowed to grant exclusive or special rights (reserved sector) for the establishment and the provision of postal services.
- 4.4 Member States will no longer necessarily have to designate the provider(s) of a universal service, but may leave provision of such service - subject to a time limit - to market forces; they may also identify the specific services or regions where the universal service cannot be ensured by market forces and procure those services in a cost effective manner through public tendering.
- 4.5 In cases where there is a need for external financing of the universal service, Member States can choose from the following options:
- public procurement;
 - public compensation by means of direct State subsidies;
 - a compensation fund supported by levies on service providers and/or users;
 - a "play or pay" type system tying the granting of authorisations either to universal service obligations or to financing of a compensation fund.
- 4.6 The directive under review also introduces a new provision obliging Member States to evaluate the need to ensure transparent and non-discriminatory access for all operators to the following services and postal infrastructure elements: postcode system, address database, post office boxes, collection and delivery boxes, information on change of address, re-direction service, return to sender service. These provisions are not intended to ensure downstream access to "sorting" and "delivery" segments.

5. **General comments**

- 5.1 The EESC has always realised that, unlike other sectors, postal services have not been liberalised precipitously, but – so far – in a gradual, controlled manner. It is pleased that the draft directive confirms that the principal aspects of the universal service are guaranteed for all users. However, the EESC requests that free services relating to specific deliveries sent or received by blind and partially sighted persons be incorporated into the universal service.
- 5.2 For the Commission, the main challenge presented by organising the final stage of full liberalisation of EU postal markets is to identify the way forward to an effective and competitive postal sector which will continue to provide high-quality, affordable services to individuals and businesses in Europe.

- 5.3 The EESC feels that the Commission's ideas would not ensure the necessary degree of security for long-term financing of a universal service in all Member States, particularly where there are difficulties caused by the physical or human geography, and thus at present are not preferable to financing by means of a reserved sector, which in many Member States has proved to be an effective and fair system.
- 5.4 For the EESC, compensating for the net residual costs of a universal service by imposing a levy or higher tariffs on users, or financing by means of public subsidies, would be unacceptable, whereas the present universal service does not involve any specific charges for users.
- 5.5 At this stage, the EESC is not won over to a "play or pay" system, with an obligation on each operator to provide a universal service, from which it can be exempted by participating in the financing of the universal service. This system has only been tested in practice in Finland, where it was not particularly successful. It appears that a compensation fund is not a solution either. In fact, a system of this type has only been tested in Italy, and turned out to be a failure there.
- 5.6 The same applies to the financing of a universal service by means of public subsidies, which would mean putting a strain on already tight public finances, at the expense of – once again – users and taxpayers.
- 5.7 Finally, the EESC would point out that the Commission's proposals for financing options have not been analysed in terms of feasibility or effectiveness. Implementing these options under such conditions would expose Member States to the risk of reaching a point of no return, with fully liberalised markets but no guarantee of a universal service.
- 5.8 Thus, before embarking on any new stage of liberalisation, a clear and stable framework will have to be put in place, and rules will have to be laid down. If necessary, the reserved sector should only be abolished once this framework is in place, including in particular genuinely effective and sustainable provisions for the financing of the universal service; these should be clearly identified and analysed for each Member State. This should be a precondition for the abolition of the only means of financing which has proved its efficacy to date, i.e. an appropriate reserved sector.
- 5.9 Over the last ten years or so, tens of thousands of jobs (0.7% according to the Commission's figures) have already been lost, and many other jobs have been replaced by precarious or low-quality jobs, in sorting centres, delivery services and post offices.
- 5.10 Although this trend can be partly explained by various factors such as new technologies and competition from other forms of communication such as email, market liberalisation is still the main cause.

- 5.11 Hence, the Commission's statement that, thanks to greater competition, accomplishing the postal services internal market will unlock job creation potential in the sector to offset job cuts by the traditional operators has yet to be substantiated.
- 5.12 As far as the sector's growth potential is concerned, the only option suggested by the proposal is to manage what is apparently seen as irreversible decline in conventional postal services, without placing them in the context of communication needs arising from the Lisbon strategy and the knowledge-based society, and without analysing the impact in terms of energy efficiency.
- 5.13 The Commission's proposals envisage regulation essentially as a Member State responsibility, which would ultimately mean 27 national organisations and markets existing alongside one another in the postal services internal market, without Community cohesion. The EESC reiterates its support for a Community postal service with community-wide rules on both competition and universal service provision.
- 5.14 Given the uncertainties and risks associated with complete liberalisation of the postal market, the EESC cannot agree that there is an urgent need to fix right now a deadline of 1.1.2009, especially in view of the fact that postal operators in Member States which only joined the EU in 2004 would have insufficient time to adapt to the new circumstances.
- 5.15 The EESC urges that the current Directive be extended, with plans for possible full liberalisation of the postal sector by 1.1.2012, provided that credible options which represent and improvement on the reserved sector have been found by then, in close consultation with all those concerned.

Brussels, 26 April 2007.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

Dimitris Dimitriadis

Patrick Venturini